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SUBJECT: AMBASSADOR'S MEETING WITH FERNANDEZ: CHEVRON,
HAITI, POLITICS

Classified By: P. Robert Fannin, Ambassador, Reasons 1.4(b), (d)

11. (C) Summary: In the Ambassador's June 19 meeting with the President, Fernandez agreed to intervene in Chevron's investment dispute to prevent violence, but not to settle the dispute itself, stating that -- despite the contract -- there had to be a negotiated settlement. The President described conditions in Haiti as "worrisome;" said the situation resulted from social, not political, issues; and took the donor community to task for what he termed insufficient aid programs. Fernandez said he sees a threat of political instability in his own country as well, given the rising food and oil prices, and argued that more regulation is needed on the oil futures market. The President said that his political opposition had initially attempted to disrespect the results of the election, but that they are over their concerns now, given his landslide victory. End summary.

Congratulations

12. (U) On June 19, the Ambassador met with President Fernandez at the Presidential Palace. The Ambassador was accompanied by Acting DCM, FCS Chief, and POLOFF; Fernandez was alone. The Ambassador presented Fernandez with the original, signed copy of President Bush's letter of congratulations for Fernandez's recent re-election victory. Fernandez read the letter carefully and said that he would frame the correspondence "for historical purposes."

Bilateral Relationship

13. (SBU) The Ambassador said that we were pleased with the good collaboration between our two countries over the last four years (i.e. Fernandez's term in office). For example, as a result of our excellent cooperation on fighting HIV/AIDS, the Dominican Republic has been designated as a "Compact Country" for the President's Emergency Plan for AIDS Relief (PEPFAR). This will result in an increase in our AIDS funding from \$7 million to \$17 million for this year alone.

14. (SBU) Another positive in the bilateral relationship, the Ambassador said, is the upcoming visit of U.S. Commerce Secretary Gutierrez, who will lead a CAFTA-DR trade mission

that will bring U.S. companies here September 28-30. The Ambassador said he hoped that the Fernandez would be able to meet with the Secretary. The President welcomed the visit, but questioned whether it might coincide with the start of the UN General Assembly -- "I usually see the President (POTUS) in New York then." (Note: There is not necessarily a schedule conflict -- UNGA officially opens on September 18 and the General Debate starts on September 25.)

Chevron

15. (C) The Ambassador then turned to the main issue of the meeting, Chevron's investment dispute involving the company's inability to implement its new fuel hauler program in a safe and secure manner. The Ambassador said that the U.S. has had some difficulties with our investors here. We were informed this afternoon that, once again, Chevron's trucks are being blocked at the gate of the refinery by the union. Some of the vehicles were vandalized. If these problems cannot be resolved, Chevron will have to close down all operations, including ceasing deliveries to the electricity companies and airports.

16. (C) Fernandez replied that he had personally told the Chief of Police that he wanted "dialogue." There are "sensitivities" -- Chevron has a "legal right" to implement a new contract, but "from a humanitarian perspective, we want to work something out." The workers' "livelihoods" are at stake. We want a solution that is beneficial for Chevron. Unfortunately, Fernandez continued, the workers are not allowing enough time for a settlement -- they stopped their blockade for one day, but then came back.

17. (C) Re-engaging the President, the Ambassador said that this dispute sends a bad message to investors. We are asking you adhere to the contract and stop the workers from blocking the gates. At your Government's request, Chevron had agreed to put off implementation of the new contract for one year, and later the company agreed to another delay until after the election. So the firm feels put upon: They agreed to these delays, but still cannot implement the contract. Now there is a possibility of violence.

18. (C) Referring to the potential for violent incidents, Fernandez replied that, "We can control that; I'll talk to the Police Chief again." Let's go back to negotiations. I see Chevron in a positive way -- this is a hard situation for everyone. The workers' concern is that this is their way of living. Perhaps this could be solved if Chevron bought the union's trucks. What I want to avoid is "using coercive means."

19. (SBU) As an aside, the Ambassador commented that in general we believe that Chief of Police Guzman Fermin is doing a excellent job.

Haiti

10. (C) The Ambassador expressed our concerns regarding the situation in Haiti, noted the high level of U.S. aid to that country, and asked Fernandez for his views. The President described conditions in Haiti as "worrisome." Food prices have risen, which has caused social tension that could lead to more street protests. Preval is already putting together a new cabinet, so the situation is more a social problem than a political one. Food prices are much higher in Haiti than they are here. I spoke to Preval recently and he told me that they have to import everything -- they are paying full price.

11. (C) Fernandez described U.S. assistance to Haiti as "not enough." Turning to the broader donor community, he noted that the World Bank's grant after the April riots was \$10 million -- only a dollar or two for each person in Haiti. He said that he had felt compelled to mention this in Rome (at

the FAO summit), and argued that Haiti merits more attention from the multilateral organizations and the U.S. to help avoid a social breakdown.

Social Problems

¶12. (C) Regarding his own country, the President said that he sees the threat in the Dominican Republic of "political instability" resulting from high food and oil prices. We will have to increase what we charge for electricity and transportation -- how will the people react? When the Acting DCM commented that the solutions to these issues are long-term, Fernandez said that there is something that can be done now -- reducing speculation on oil. President Lula of Brazil told me that it only costs US\$35 to produce a barrel of oil. We need more regulation. The U.S. Congress, Fernandez stated, is already looking into it and the head of the U.S. Commodity Futures Trading Commission is "under heat." I realize that "it's the end of cheap oil," but the key is to get the price down to \$90 or \$100. Food and oil prices are connected.

¶13. (SBU) The Ambassador inquired about the positive impact of biofuels on the cost of energy. The President said that "it takes time," but now that 30 percent of the corn belt is dedicated to ethanol, biofuels could help control energy costs -- though at the same time it drives food prices up, Fernandez argued. The Acting DCM asked if the President was planning changes to his agricultural policy. Fernandez replied that he seeks to improve agricultural banking. The priority is to ensure the Dominican people that we can feed

ourselves. We produce 80 percent of the food we consume, but have the potential to produce enough to export significantly.

Politics

¶14. (C) Raising the current state of play in Dominican politics, Fernandez said that it was important to have a strong opposition. The opposition is now "over their concerns." (Note: The President was apparently referring to the criticism that he received from a broad spectrum of domestic and international observers, including the OAS, for using government resources to aid his political candidacy.) At first, the opposition tried to disrespect the results of the election; however, "by any measure, it was a landslide." I hope that they will not "torpedo and undermine" the government's work. The future is not clear for the PRSC party (the junior member of the opposition) -- their problem is leadership. We had been polling at 60 percent in the early spring, but our numbers dropped in tandem with the rise of food and oil prices. (Note: Fernandez won in the first round with 54 percent of the vote.)

Brewer Case and First Lady

¶15. (SBU) The Ambassador thanked the President for the role that Attorney General Jimenez has played in the property dispute case of American citizen Randy Brewer. The Ambassador also expressed his appreciation for the hospitality showed to Mrs. Fannin by the First Lady.

Atmospherics

¶16. (C/NF) As we have observed before, Fernandez was in his element when discussing global issues, particularly economic development. He appeared to enjoy the discussion and displayed an up-to-date, detailed knowledge of current events in the international economy, as is fitting for a man who founded a think tank upon departing office in 2000. Fernandez's signature infrastructure project is the Santo Domingo subway system, which is controversial because of its high cost and lack of transparency in procurement. We therefore noted that there was a large model of a metro train

on the coffee table. Fernandez met with us alone and did not take notes, which is common for him.

(U) Please visit us at
<http://www.state.sgov.gov/p/wha/santodomingo/>
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